

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06705 01 OF 02 121358Z

ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
OMB-01 /084 W

-----121718 121605Z /44

R 121230Z AUG 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3221

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 6705

EO 11652 NA

TAGS EFIN BR

SUBJECT: BRAZIL RECORDS TRADE SURPLUS IN 1ST SEMESTER 1977

1. SUMMARY - BRAZIL

REGISTERED A TRADE SURPLUS OF \$237 MILLION IN THE FIRST SEMESTER OF 1977, COMPARED TO A DEFICIT OF \$1,530 MILLION IN THE SAME PERIOD OF 1976. THE MAIN FACTOR CONTRIBUTING TO THE GREATLY IMPROVED TRADE BALANCE WAS A 160 PERCENT INCREASE IN COFFEE RECEIPTS AND RELATIVELY LITTLE INCREASE IN IMPORTS. A GRADUAL SLOWDOWN IN DOMESTIC ECONOMIC ACTIVITY WILL PROBABLY PRECLUDE ANY INCREASE IN IMPORTS DURING THE SECOND SEMESTER. THE DROP IN WORLD PRICES FOR COFFEE AND SOYA WILL ADVERSELY AFFECT THE THIRD QUARTER EXPORT PERFORMANCE BUT THE GOB STILL ANTICIPATES FAVORABLE RESULTS BY END OF YEAR WITH THE TRADE ACCOUNT IN BALANCE OF SHOWING A SMALL SURPLUS. END SUMMARY.

2. FOR THE FIRST TIME IN FOUR YEARS BRAZIL ENJOYED A TRADE SURPLUS AS OF THE END OF THE FIRST SEMESTER. EXPORT RECEIPTS IN JAN-JUNE 1977 OF \$6,199 MILLION AND IMPORT PAYMENTS OF \$5,962 MILLION GAVE A TRADE SURPLUS OF \$237 MILLION. (ALL FIGURES F.O.B.) THE SHARP
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06705 01 OF 02 121358Z

IMPROVEMENT OVER THE TRADE DEFICIT OF \$1,530 MILLION IN THE FIRST SEMESTER OF 1976 RESULTED MAINLY FROM A 41 PERCENT IN EXPORT RECEIPTS. OWING TO A DOUBLING IN AVERAGE PRICES AND 28 PERCENT GREATER VOLUME SHIPPED, EARNINGS FROM EXPORTS OF COFFEE (BOTH GREEN AND SOLUBLE) INCREASED 160 PERCENT TO \$2,149 MILLION. HIGHER PRICES ACCOUNTED FOR 119 PERCENTAGE POINTS AND INCREASED SHIPMENTS FOR 41 PERCENTAGE POINTS OF THE TOTAL RISE IN COFFEE

EARNINGS. THE PROPORTION OF TOTAL EXPORTS ACCOUNTED FOR BY COFFEE NEARLY DOUBLED FROM 18.7 PERCENT TO 34.7 PERCENT.

3. THE RENEWED IMPORTANCE OF COFFEE CAUSED SOME OTHER LEADING EXPORTS (SOYA AND MANUFACTURED GOODS) TO DECLINE AS PROPORTIONS OF TOTAL EARNINGS DESPITE RESPECTABLE GROWTH OVER 1976. SOYA EXPORT EARN

-
INGS (EXCLUDING OIL) INCREASED NEARLY 19 PERCENT BUT DECLINED FROM 13 PERCENT TO ABOUT 12 PERCENT OF THE TOTAL. SOYA PRICES WERE 68 PERCENT HIGHER IN JAN-JUN 1977 THAN IN THE SAME PERIOD OF 1976 BUT THE

VOLUME EXPORTED DROPPED BY 25 PERCENT. TOTAL MANUFACTURED EXPORTS INCREASED 14 PERCENT BUT FELL FROM 40 PERCENT TO 32 PERCENT OF TOTAL RECEIPTS. CAPITAL GOODS EXPORTS WERE UP NEARLY 26 PERCENT OWING ENTIRELY TO EXPANDED VOLUME. EARNINGS FROM OTHER MANUFACTURED AND SEMI-MANUFACTURED EXPORTS INCREASED ONLY 10 PERCENT OVER THE FIRST SIX MONTHS OF 1976. WITHIN THESE LATTER CATEGORIES, COTTON TEXTILE EXPORTS WERE UP ABOUT 45 PERCENT OWING TO BOTH HIGHER PRICES AND VOLUMES BUT EARNINGS DROPPED ON EXPORTS OF SHOES (BY 26 PERCENT) AND CLOTHING (BY 13 PERCENT) DESPITE HIGHER AVERAGE PRICES. IRON ORE EXPORT EARNINGS ALSO DECLINED (BY 19 PERCENT) DUE ENTIRELY TO A LOWER VOLUME SHIPPED.

4. SUMMARY OF BRAZIL'S EXPORTS (MILLION OF \$ US) (F.O.B.)

JAN - JUN PERCENT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 06705 01 OF 02 121358Z

	1976	1977	CHANGE
COFFEE	825	2,149	PLUS 160.5
(GREEN)	(736)	(1,880)	(PLUS 155.4)
(SOLUBLE)	(89)	(269)	(PLUS 202.2)
SOYA 1/	668	794	PLUS 18.9
SUGAR 1/	72	149	PLUS PLUS106.9
COCOA 1/	63	109	PLUS 73.0
IRON	491	397	MINUS 19.1
MANUFACTURED 2/	1,755	1,996	PLUS 13.7
(CAPITAL GOODS)	(410)	(515)	(PLUS 25.6)
(OTHER MANUFACTURED)	(944)	(1,038)	(PLUS 10.0)
SEMI-MANUFACTURED) 2/	(401)	(443)	(PLUS 10.5)
OTHER BASIC AGRIC & MIN	535	605	PLUS 13.1
TOTAL	4409	6199	PLUS 40.6

1/ DOES NOT INCLUDE THE FOLLOWING EXPORTS OF PROCESSED GOODS WHICH ARE INCLUDED UNDER SEMI-MANUFACTURED EXPORTS:

SOYA -1976 (8), 1977 (97); SUGAR - 1976 (51), 1977 (59);

COCOA - 1976 (25), 1977 (43).

2/ INCLUDES THE AMOUNTS LISTED IN FOOTNOTE 1.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06705 02 OF 02 121529Z
ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
OMB-01 /084 W

-----123838 121606Z /44

R 121230Z AUG 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 3222
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 2 OF 2 BRASILIA 6705

5. IMPORTS AMOUNTED TO \$5,962 MILLION IN THE FIRST HALF OF 1977 OR 3.5 PERCENT HIGHER THAN IN THE SAME PERIOD OF 1976. A 2.3 INCREASE IN AVERAGE PRICES ACCOUNTED FOR MOST OF THE INCREASE IN PAYMENTS AS THE COLUME OF IMPORTS INCREASED BY ONLY 1.1 PERCENT. DEMAND FOR MOST RAW MATERIALS CONTINUED STRONG AND OUTLAYS INCREASED 9.0 PERCENT DESPITE A 50 PERCENT DROP IN WHEAT IMPORTS COMPARED TO 1976. IMPORTS OF THE OTHER MAJOR RAW MATERIALS ROSE SUBSTANTIALLY IN TERMS OF VOLUME (E.G. CHEMICALS, 26 PERCENT; CAST IRON AND STEEL, 58 PERCENT; COPPER, 78 PERCENT), WHICH ACCOUNTED FOR THE HIGHER PAYMENTS ALTHOUGH PRICES FOR RAW MATERIALS WERE 12 PERCENT LOWER ON AVERAGE THAN IN 1976. OUTLAYS FOR PETROLEUM IMPORTS INCREASED BY 8 PERCENT OWING LARGELY TO HIGHER PRICES. CONSUMER GOODS IMPORTS INCREASED BY ONLY 2.4 PERCENT, DUE TO LOWER OVERALL PRICES. MOST SIGNIFICANTLY, CAPITAL GOODS IMPORTS DECLINED BY 7.2 PERCENT AS A RESULT OF A 23 PERCENT DROP IN THE VOLUME IMPORTED. IMPORT SHARES REPRESENTED BY THE MAJOR CATEGORIES WERE CONSUMER GOODS UNCHANGED AT 7 PERCENT, RAW MATERIALS UP FROM 32 TO 34 PERCENT, PETROLEUM UP FRM 31 TO 32 PERCENT, AND CAPITAL GOODS DOWN FROM 30 TO 27 PERCENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06705 02 OF 02 121529Z

6. SUMMARY OF BRAZIL'S IMPORTS (MISSIONS \$US).(F.O.B.)

	JAN-JUN		PERCENT	
	1976	1977	CHANGE	
CONSUMER GOODS	421	431	PLUS 2.4	
RAW MATERIALS	1,864	2,032	PLUS 9.0	
CHEMICALS	(726)	(807)	PLUS 11.2	
CAST IRON/STEEL	(250)	(305)	PLUS 22.0	
COPPER	(75)	(150)	PLUS 100.0	
WHEAT	(303)	(153)	MINUS 49.5	
OTHER	(510)	(617)	PLUS 21.0	
CAPITAL GOODS	1,711	1,587	MINUS 7.2	
PETROLEUM	1,767	1,912	PLUS 8.2	
TOTAL	5,763	5,962	PLUS 3.5	

7. COMMENT- THREE PRINCIPLE ELEMENTS CONTRIBUTING TO THE TRADE SURPLUS IN THE FIRST HALF OF 1977 WERE THE HIGH PREVAILING WORLD COFFEE PRICE AND THE APPARENT EFFECT OF IMPORT RESTRICTIONS AND IMPORT SUBSTITUTION ON THE LEVEL OF CAPITAL GOODS IMPORTS. IMPORTS OF RAW MATERIALS REFLECT A CONTINUED RELATIVELY HIGH LEVEL OF ECONOMIC ACTIVITY AND PERHAPS SOME REBUILDING OF STOCKS. PRELIMINARY DATA INDICATE THAT COFFEE RECEIPTS IN JULY WERE DOWN SHARPLY COMPARED TO JUNE OWING TO THE LOWER PRICES AND BRAZIL'S ABSENCE FROM THE MARKET. BRAZILIAN OFFICIALS ANTICIPATE SOME FIRMING OF COFFEE AND SOYA PRICES IN THE NEXT FEW MONTHS AND SEASONAL FACTORS AND PREVAILING HIGH PRICES SHOULD RESULT IN A SIGNIFICANT INCREASE IN COCOA RECEIPTS IN THE SECOND SEMESTER. ON THIS BASIS, GOB UNOFFICIALLY IS STILL EXPECTING TOTAL EXPORTS TO BE IN EXCESS OF \$12 BILLION BY THE END OF THE YEAR. (SEE REFTEL 5797 FOR LATEST EMBASSY ESTIMATES.) WHEAT IMPORTS ARE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 06705 02 OF 02 121529Z

DOWN IN COMPARISON TO 1976 OWING TO RECOVERY OF DOMESTIC PRODUCTION TO PRE-1976 LEVELS AND TO CURRENT INTERNATIONAL PRICES. WHEAT IMPORTS MAY INCREASE SLIGHTLY IN THE SECOND HALF OF THE YEAR GIVEN THE LEVEL OF CONTRACTS ALREADY SIGNED (SUNAB, THE SOLE IMPORTER OF WHEAT, HAS AUTHORIZED TOTAL IMPORTS IN 1977 OF 3.1 MILLION TONS). ON THE OTHER HAND, THE RATE OF INCREASE IN THE VOLUME OF PETROLEUM AND RAW MATERIALS IMPORTS SHOULD DECLINE IN RESPONSE TO A SOMEWHAT SLOWER RATE OF OVERALL ECONOMIC GROWTH. OWING AT LEAST IN PART ALSO TO ENERGY CONSERVATION MEASURES, GASOLINE CONSUMPTION PER SE ACTUALLY DROPPED BY 5 PERCENT IN JAN-JUN 1977 COMPARED TO THE FIRST SEMESTER OF 1976. CURRENTLY AN IMPORT PROJECTION OF \$12.0 - 12.2 BILLION APPEARS REASONABLE. THE MAIN VARIABLE

IN THE OVERALL RESULT FOR THE END OF THE YEAR CONTINUES TO BE
THE COFFEE PRICE WHICH IS SUBJECT TO CONSIDERABLE UNCERTAINTY AT
THIS TIME. A NEAR-BALANCE OR SMALL SURPLUS ON THE TRADE ACCOUNT
WOULD BE A MAJOR IMPROVEMENT OVER THE 1976 DEFICIT OF \$2,174
MILLION AND WOULD PERMIT THE GOB TO REDUCE FOREIGN BORROWING
IN COMPARISON WITH RECENT YEARS.
RUSER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, ECONOMIC REPORTS, TRADE DATA
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRASIL06705
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770291-0351
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770869/aaaacfym.tel
Line Count: 231
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1931105c-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1622353
Secure: OPEN
Status: NATIVE
Subject: BRAZIL RECORDS TRADE SURPLUS IN 1ST SEMESTER 1977
TAGS: EFIN, ETRD, BR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1931105c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009